



Memorandum

TO: CITY COUNCIL

FROM: Mayor Chuck Reed
Councilmember Rose Herrera
Councilmember Don Rocha

SUBJECT: AMENDMENT TO THE NORTH
SAN JOSE DESIGN GUIDELINES

DATE: November 14, 2014

Approved

Date

11/14/14

RECOMMENDATION

Adopt the amended North San Jose Design Guidelines as recommended in the staff report dated October 24, 2014, and direct staff to:

1. Not later than December 15, 2014, publish and post on the City website, the Revised North San Jose Design Guidelines that incorporate the changes recommended by staff, with the following additions:
 - a. Insert the following language from the North San Jose Area Development Policy into the North San Jose Design Guidelines on Page 21: Guidelines for Site Planning; Page 61: Guidelines for Buildings; and Page 79: Guidelines for Parking:

Recognizing the need for campus style development in North San Jose and demands that specific tenants may have for “build to suit” development, the City Council intends that there be substantial flexibility given in the application of the North San Jose Design Guidelines to achieve those tenants’ unique requirements. This flexibility is given reflecting that those companies are focused on fostering creativity of their employees to spur innovation and that the City is encouraging a broad range of job opportunities. The design intent remains that the individual development projects in North San Jose add up over time to a more lively, connected great place for employees, residents, and visitors.

- b. Insert the following language from the North San Jose Area Development Policy into the North San Jose Design Guidelines on Page 11 under Vision North San Jose and Page 17 under Relationship to Other Plans and Ordinances:

Relationship with Downtown

The intensification of North San Jose envisioned within this Policy is intended to be different from but complementary to development activity within the San Jose Downtown area. The proposed densities within the Core Area are still considerably lower than those existing or planned in the Downtown area. Additionally, the anticipated building and land use types differ in that Downtown will continue to be more attractive for housing ownership and high-rise office

development, while North San Jose will continue to provide for heavy and light industrial uses as well as mid-rise office development and primarily rental housing targeting area workers. Furthermore, the Downtown will continue to develop as the City's focal point for cultural and other civic activities.

2. Include the following language from Page 16 of the North San Jose Design Guidelines in all letters to applicants, when the applicants are notified of an Architectural Review Committee hearing:

Interpretation and Application of this Document

The key economic development strategy for San Jose is to encourage driving industry companies to stay in San Jose and expand in San Jose. The North San Jose Area Development Policy was developed to allow and encourage that to happen in North San Jose.

The Guidelines represent a long-term vision and they are intended to facilitate development in a reasonable fashion that is financially viable and achieves the goals of the Policy. The Guidelines are not intended to be rigid or treated as a zoning code, and the Director of Planning, Building and Code Enforcement has substantial flexibility in applying the Guidelines. Capturing development opportunities for expansion of driving industry companies requires flexibility, creativity and timeliness to be competitive in the ever changing market for growing companies. Each development has unique challenges and the Director of Planning, Building and Code Enforcement is expected to exercise flexibility in solving those challenges to facilitate the development of sites to meet the needs of driving industry companies.

3. Not later than January 31, 2015, insure that all members of the Planning Commission, the Architectural Review Committee, and Planning staff who review projects in North San Jose are trained in how the North San Jose Design Guidelines are intended to be interpreted and applied as specified in the Design Guidelines on Page 16:

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4. Post the attached Analysis of Silicon Valley Office/R&D Projects 2011-2014 online and update it every three years as part of the annual periodic review called for on Page 7 of the North San Jose Design Guidelines.

5. Return to City Council in June 2016 to:

- a. Present options for a reduced Traffic Impact Fee on office/R&D development. As part of this effort, staff should analyze potential modifications to the transportation infrastructure list, updated cost estimates, and potential impacts to the General Fund if it is expected to assume increased responsibility for transportation infrastructure improvements.
- b. Explore balancing the availability of credits for demolition of existing industrial buildings with the need to fund the infrastructure outlined in the Policy.
- c. Provide an assessment of utilities and other infrastructure needed to support the proposed 2030 Area Development Policy jobs and housing capacity.

6. Direct the City Manager to determine the amount and potential sources of funding in the Mid-Year Budget and 2015-16 Budget necessary to support the above work.

BACKGROUND

North San Jose is the most important job and revenue generating area in San Jose. It is in good position to capture the next round of growth in the Silicon Valley, as developers rush to build more product for driving industry tenants with almost 8 million square feet of active space requirements.

But experience with development in North San Jose over the past ten years has revealed that we have some impediments and challenges to address. A recent survey of development activity shows that since 2011, San Jose has captured only 30% of the projects in the four cities of San Jose, Santa Clara, Mountain View and Sunnyvale. See Attachment A.

Silicon Valley driving industry companies are using their buildings to recruit and retain employees and foster collaboration. Campus site designs, large floor sizes, and a bounty of onsite amenities are the key elements of these new corporate offices. Yet, our Design Guidelines discourage the type of development that is most in demand.

Several major project opportunities have been lost to other cities because of our Design Guidelines. The North San Jose Design Guidelines, which identify “long-term future opportunities based on the land use master plan looking at a time span of 30 years” have been rigidly applied in a manner that discourages private investment, without regard to market or tenant demands.

The Council has on multiple occasions, since 2011, directed that there be more flexibility in the interpretation of the Guidelines. In April 2014, the Council directed staff to return to the Ad Hoc Committee for Economic Competitiveness with revised Design Guidelines and a protocol to ensure the Guidelines are being applied so that they encourage driving industry companies to stay and expand in San Jose. The changes before the Council carryout part of that prior direction.

The revisions proposed by staff, addressing heights, density, grid streets, the North First Street wall, and parking, better capture the trends and needs of corporate tenants in the short run, and add flexibility and more certainty to the interpretation of the Guidelines. We recommend that Council join us in adopting the revised North San Jose Design Guidelines and ensuring that participants in the review process are well trained on the intent of the Guidelines.

The North San Jose Traffic Impact Fee has also been a deterrent to investors looking to build. No other city in the Silicon Valley has a fee to fund the scale of infrastructure improvements that in North

San Jose are now valued at \$583 million. These fees also adjust automatically every two years and in 2015 will increase to \$14.44/sf for industrial development. Post-recession, this City Council has taken action to spur investment in North San Jose by reducing the fee on a couple of occasions.

On the Council Agenda for the November 18th is an action to approve the extension of the North San Jose development incentives. We endorse that recommendation and ask for Council support; but believe that the underlying framework needs to be re-evaluated, the effectiveness of the proposed transportation improvements should be re-evaluated and that the mitigation measures better comply and align with General Plan 2040 goals.

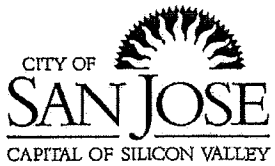
A lowering of the fee, as a standard practice rather than as a special incentive, would make North San Jose more competitive with other West Valley cities which have over 9 million square feet of office/R&D space currently under construction.

Equally important is an assessment of water, storm drain, sanitary sewer and other infrastructure needs. A developer currently going through the entitlement process for a phased development of 1.6 million square feet of office/R&D space was told that there would be no water capacity for the build-out of the site.

That's not the message that we should be delivering to developers with intentions of investing hundreds of millions of dollars in new buildings for Silicon Valley corporations that are expanding operations and looking for space. A strategy has to be put in place that assures the supply of adequate infrastructure to support the expansion envisioned in the North San Jose 2030 Policy.

Staff needs to work diligently to encourage Silicon Valley companies to invest in San Jose. We want our driving industry companies to stay here and grow here. The revised North San Jose Design Guidelines are a very good start.

Attachment A: Analysis of Silicon Valley Office/R&D Projects, 2011-14, presented to the
Ad Hoc Committee for Economic Competitiveness on October 20, 2014
Please see entire document ([link](#))



Memorandum

TO: CITY COUNCIL

FROM: Mayor Chuck Reed

SUBJECT: ANALYSIS OF SILICON VALLEY
OFFICE/R&D PROJECTS, 2011-14

DATE: October 16, 2014

Approved

Chuck Reed

Date

10/16/14

INFORMATION MEMORANDUM

A recent review of over one hundred office/R&D projects for SV150 companies shows:

- Nearly 90% of the transactions were for buildings of 2 to 7 stories in height
- New developments tend to be 5-7 stories in height
- High-rise buildings are rare.

Tech companies are using their corporate facilities as a tool to recruit and retain the best talent in the Silicon Valley and to provide the environment that fosters innovation and encourages collaboration amongst employees. Building site designs, large floor sizes, and a bounty of on-site amenities and outdoor spaces are key elements for nearly all of the new or renovated facilities that SV150 companies either acquired or leased in San Jose, Santa Clara, Sunnyvale and Mountain View, since 2011.

The tallest build-to-suit development in Silicon Valley is the ten-story Samsung Semiconductor Headquarters in North San Jose. Another 10-story speculative building has been proposed by Boston Properties for its North First Street site and is currently in the permit process.

Of the 112 development projects that were reviewed, 30% were in San Jose.

Two of the most interesting new buildings that are outside of the study area but may set a trend toward shorter buildings with massive floor plates: the 2.8 million square foot, four-story Apple building in Cupertino; and the new 430,000 square foot, one-story, Facebook West Campus in Menlo Park.

BACKGROUND

Attached is a spreadsheet with data on projects of 50,000 square feet and larger in the four cities of San Jose, Santa Clara, Sunnyvale and Mountain View from 2011 through July 2014. It is not an exhaustive list of all transactions, but attempts to capture leases, acquisitions, build-to-suit and speculative developments for SV150 companies during the past few years.

SV150 Companies' Office Building Projects 2011-2014



Source: Office of Mayor Chuck Reed, Internship Project, September 2014



Office of Mayor Chuck Reed